

Message Text

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ORIGIN EB-11

INFO OCT-01 EUR-25 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 AID-20 CEA-02 COME-00 EA-11 FRB-02

IO-14 NEA-10 OPIC-12 TRSE-00 CIEP-02 LAB-06 SIL-01

OMB-01 INT-08 SCEM-02 OIC-04 SCI-06 DOTE-00 CAB-09

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APPROVED BY EB - WILLIS C. ARMSTRONG

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FM SECSTATE WASHDC

TO USMISSION OECD PARIS PRIORITY

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AMEMBASSY THE HAGUE

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E.O.22652

TAGS: ENRG

SUBJECT: OECD OIL COMMITTEE AND HLG MEETINGS, DEC 19

1. YOU MAY WISH TO DRAW ON FOLLOWING DURING DISCUSSION
SUBSTANTIVE PARTS OF AGENDA FOR SUBJECT MEETINGS.

THE CURRENT OIL SITUATION (US AND WORLD)

A. CURRENT FORECASTS OF FEDERAL ENERGY OFFICE INDICATE
A SUPPLY DEFICIT OF 1.417 MILLION B/D (7.5 PERCENT) DURING
THE FOURTH QUARTER 1973 AND A DEFICIT OF 3.271 MILLION
B/D (16.4 PERCENT) DURING FIRST QUARTER 1974. LOSS

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OF IMPORTS DUE TO ARAB OIL EMBARGO DURING SAME

PERIODS CURRENTLY ESTIMATED AT 1.200 MILLION B/D AND 2.976 MILLION B/D RESPECTIVELY. ACTUAL IMPORTS ANTICIPATED DURING TWO QUARTERS 5.646 MILLION B/D AND 4.755 MILLION B/D RESPECTIVELY. ESTIMATED GROSS SHORTAGES (000 B/D) DURING FIRST QUARTER 1974 AS FOLLOWS: JET FUEL 400 (32PERCENT), GASOLINE 700 (11PERCENT), DISTILLATE FUEL OILS 900 (17PERCENT), RESIDUAL FUEL OIL 860 (24PERCENT) AND OTHER PETROLEUM RPRODUCTS 400 (10PERCENT).

B. ADMINISTRATION HOPES REDUCE CONTEMPLATED 3.2 MILLION B/D SHORTFALL TO 2.7 MILLION B/D BY 25 PERCENT REDUCTION JET FUEL USE THROUGH REDUCED AIRLINE SCHEDULES,

15 PERCENT REDUCTION GASOLINE CONSUMPTION THROUGH 50-55 MILE PER HOUR SPEED LIMIT, SUNDAY GAS STATION CLOSINGS ETC., 6-10 PERCENT REDUCTION DISTILLATE FUEL OIL USE BY REDUCED RESIDENTIAL AND COMMERCIAL HEATING AND LIGHTING. REDUCTION IN USE RESIDUAL FUEL OIL AND OTHER PETROLEUM PRODUCTS CONTEMPLATED THROUGH NUMBER OF VOLUNTARY AND MANDATORY PROGRAMS DESIGNED TO REDUCE ELECTRIC POWER CONSUMPTION AND TO CONVERT POWER GENERATION FROM OIL TO COAL. NECESSARY AUTHORITY BEING SOUGHT IN LEGISLATION CURRENTLY BEING CONSIDERED BY HOUSE/SENATE CONFEREES.

C. MANDATORY PETROLEUM ALLOCATION REGULATIONS BECOME EFFECTIVE DECEMBER 27. PROVIDE FOR ALLOCATION OF CRUDE OIL TO US REFINERIES AND EQUITABLE DISTRIBUTION OF CRUDE OIL, RESIDUAL FUEL OIL, AND REFINED PETROLEUM PRODUCTS AT EQUITABLE PRICES. CURRENT VOLUNTARY PROGRAMS FOR REDUCED USE AND ALLOCATION OF GASOLINE, RESIDUAL FUEL OIL, AND MANDATORY PROGRAMS FOR PROPANE AND MIDDLE DISTILLATES WILL REMAIN IN EFFECT UNTIL DECEMBER 27.

D. IN CONNECTION WITH MANDATORY ALLOCATION PROGRAM, DRAFT REGULATIONS WERE PUBLISHED IN FEDERAL REGISTER DECEMBER 13 FOR PROGRAM DESIGNED TO LIMIT EXPORTS AND LIMITED OFFICIAL USE

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ENSURE THEY DO NOT RISE SHARPLY DURING CURRENT CRISIS. AIM OF PROGRAM IS TO AVOID MAJOR INCREASES IN FLOW PETROLEUM PRODUCTS OUT OF US WHILE NOT INTERFERING WITH NORMAL PAST TRADE PATTERNS. AS CURRENTLY DRAFTED, PROGRAM WOULD LIMIT EXPORTS ON THE BASIS OF INDIVIDUAL PRODUCT, EXPORTER AND COUNTRY OF DESTINATION TO SOME BASELINE YEAR. DECISION NOT YET MADE ON BASELINE YEAR TO BE USED. NO DATE

HAS BEEN SET FOR PROGRAM IMPLEMENTATION. ACTION TAKEN TO COMPLY WITH TWO BILLS RECENTLY PASSED BY CONGRESS - THE ALASKAN PIPELINE ACT AND THE EMERGENCY ALLOCATION ACT OF 1973. PROGRAM WOULD BE IMPLEMENTED THROUGH DEPARTMENT OF COMMERCE EXPORT LICENSING SYSTEM. OVER NEXT SEVERAL WEEKS CONSULTATION WILL BE CARRIED OUT WITH FOREIGN NATIONS AND DOMESTIC INDUSTRY AFFECTED. SYSTEM IS NOT DESIGNED TO LIMIT EXPORTS BUT WILL MONITOR EXPORT FLOWS. IF THESE FLOWS BECOME EXCESSIVE, ACTION WILL BE TAKEN.

E. YOU WILL WANT TO DRAW ON STATE 243612 (SENT LONDON AND BEING REPEATED TO YOU) AND EPSC TASK FORCE REPORT (COPY SUPPLIED YOU BY LINEDECKER) AS APPROPRIATE IN

ANY DISCUSSION OF IMPACT ARAB CRUDE SUPPLY DISRUPTIONS AND NEED FOR FURTHER INFORMATION FROM OIL COMPANIES AND MEMBER GOVERNMENTS.

OECD-WIDE APPORTIONMENT SCHEME:

A. U.S. COMMENDS THE REPORT PREPARED BY THE AD HOC STUDY GROUP AND CONSIDERS IT VERY IMPORTANT.

B. WE ARE LOOKING AT REPORT SERIOUSLY AND ARE WORKING TO GET READY FOR SUBSTANTIVE DISCUSSIONS WHENEVER OTHER OECD MEMBERS ARE READY.

BUNKER AND BONDED JET FUELS:

A. US MANDATORY PETROLEUM ALLOCATION REGULATIONS PUBLISHED ON DECEMBER 13 PROVIDE FOR A POLICY OF NON-DISCRIMINATORY ALLOCATION OF THESE FUELS FROM LIMITED OFFICIAL USE

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DOMESTIC SOURCES, SUBJECT TO MODIFICATION BY FEO ON CASE-BY-CASE BASIS TO ENCOURAGE RECIPROCITY. BOTH BONDED RESIDUAL OIL (FOR BUNKERS) AND BONDED JET FUEL ARE SPECIFICALLY EXCLUDED FROM COVERAGE UNDER ALLOCATION PROGRAM.

B. RESIDUAL OIL REGULATIONS MAKE PROVISION FOR POOL OF DOMESTIC FUELS, WHICH ARE IN EXCESS OF DOMESTIC CUSTOMER ALLOCATIONS, TO BE REPORTED TO FEO ADMINISTRATOR FOR DIRECTED SALE. IN ADDITION, REGULATIONS GIVE 100 PERCENT PRIORITY ON 1973 BASE PERIOD TO SHIPPING FOR ALLOCATION OUT OF DOMESTIC POOL.

C. ON OTHER HAND, NO PROVISION HAS BEEN MADE TO PROVIDE DOMESTIC JET FUEL TO INTERNATIONAL CARRIERS WHO HAVE

TRADITIONALLY USED ONLY BONDED FUEL. SUPPLIES OF
BONED FUELS OF BOTH TYPES VARY WIDELY ACCORDING TO
SUPPLIER. WE ARE ATTEMPTING TO WORK OUT POLICIES ON
BOTH FUELS WHICH WILL ASSURE TRUE NONDISCRIMINATION
BETWEEN DOMESTIC AND INTERNATIONAL CARRIERS. (SEE
STATE 244003 TO USOECD ON BUNKERS, AND STATE 244460
TO EMBASSY PARIS ON JET FUEL.)

2. DEPARTMENT WILL ENDEAVOR SEND YOU TOMORROW
GUIDANCE IN RESPONDING TO ANY INQUIRIES RAISED CONCERNING
PROPOSALS ADVANCED BY SECRETARY KISSINGER IN PILGRIMS
ADDRESS EARLIER THIS WEEK IN UK. RUSH

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